

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

KEYSPAN ENERGY DELIVERY NEW ENGLAND
RESPONSE TO
ATTORNEY GENERAL'S SECOND SET OF INFORMATION REQUESTS

D.T.E. 06-54

Respondent: Theodore Poe, Jr.

Date: September 15, 2006

Information Request AG-2-6

- Q. Please provide a list of all costs that the Company expects that it may incur in the event that the Algonquin G-Lateral expansion project is cancelled. Please explain and quantify all costs.**
- A. The Company could potentially incur two types of costs in the event that the Algonquin project is cancelled. The first, and most significant, would be the cost to find a replacement supply source to reliably meet the long term need of Cape Cod customers. The second would be the obligation to pay Algonquin's "pre-service" costs. Each of these is discussed below.

First, for the reasons discussed in Exhibit TEP-1, the proposed agreement with Algonquin, in combination with the Company's Sagamore Pipeline Replacement Project that was approved by the Energy Facilities Siting Board in Docket EFSB 05-2, is necessary to reliably meet the long-term sendout requirements of KeySpan's Cape Cod customers.¹ The Company's need analysis for the Cape Cod service area shows a need for incremental gas supply. To meet this need, the Company's proposal for the Sagamore Line Reinforcement contemplates that long-term (and adequate) incremental supply will be available on the Algonquin pipeline as a result of the Algonquin pipeline extension project beginning in 2007/08 (with interim or "bridging" supplies that began in 2005/06). If adequate long-term incremental gas supply does not become available because the Algonquin project is cancelled, the Company would need to reevaluate its options for maintaining system pressure and obtaining incremental gas supply through one or more of the more costly and less feasible project alternatives set forth in Section 3 of the EFSB 05-2 filing (e.g., LNG alternatives and extended operation of portable LNG units).

With regard to pre-service costs, the Company's responsibility for those costs

¹ Permission to construct the Sagamore Pipeline Replacement Project was subsequently denied by the Cape Cod Commission. The Company is now seeking a Siting Board override of that denial.

would depend upon the circumstances that resulted in the cancellation of the project. In general, KeySpan would only expect to be responsible for such costs in the event that the cancellations was a direct result of a Customer Termination of the Precedent Agreement pursuant to section 9 (a) of Exhibit KED -1. An estimate of the Algonquin pre-service costs is provided in attachment AG 1-18-A (confidential) to the response to Information Request AG 1-18.